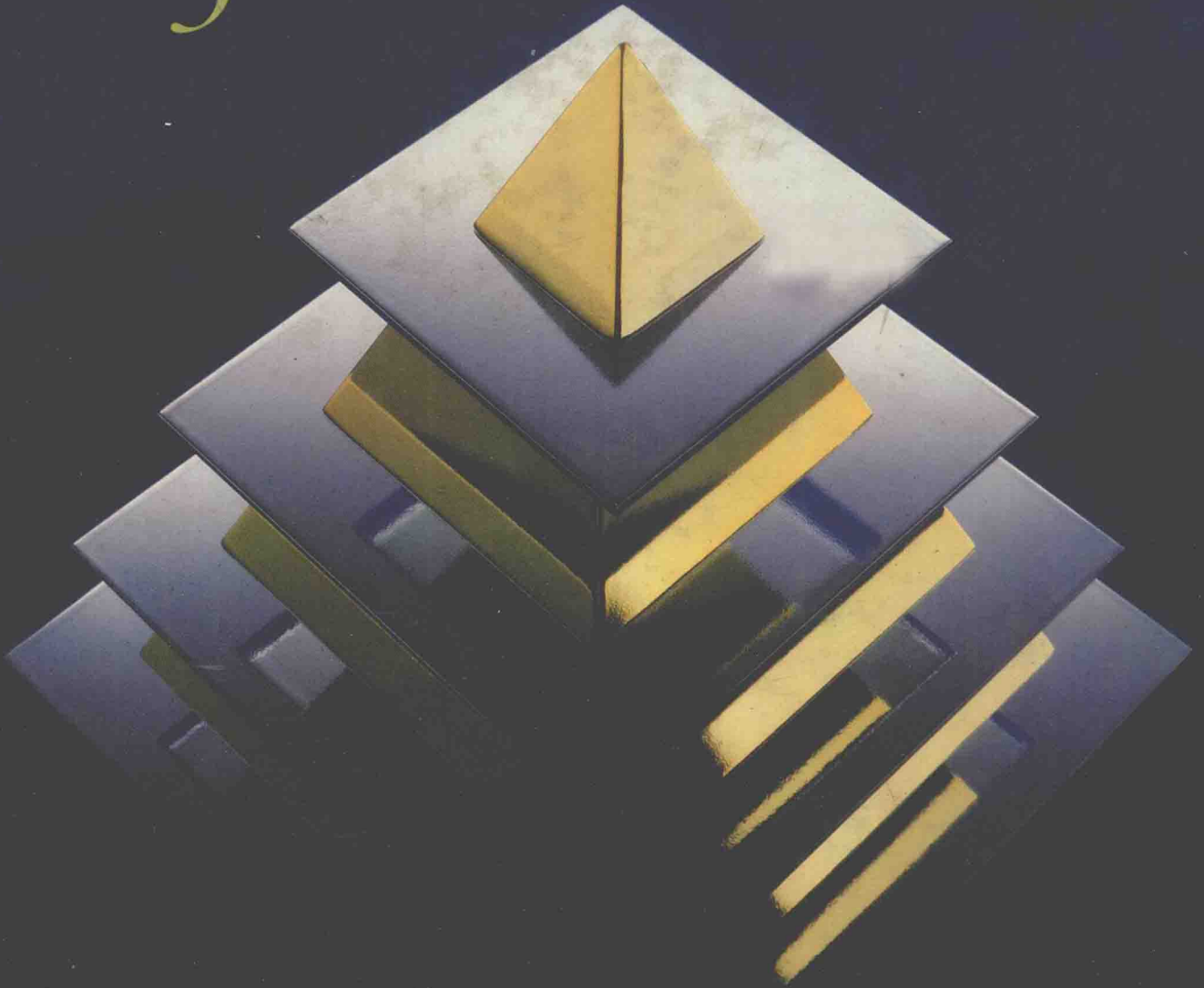


G R I F F I N

MANAGEMENT

3rd edition



MANAGEMENT

3rd edition

RICKY W. GRIFFIN

Texas A&M University

HOUGHTON MIFFLIN COMPANY Boston

Dallas Geneva, Illinois Palo Alto Princeton, New Jersey

*For Glenda . . .
It just keeps getting better and better.*

COVER PHOTOGRAPH: Skolos, Wedell and Raynor

FIGURE ILLUSTRATIONS: Boston Graphics, Inc.

PART OPENER CREDITS: **Part I:** FUGUE by Charles Sheeler, courtesy of Regis Corporation; Chicago Presidential Towers, Mark Segal/TSW-Click/Chicago.
(continued on page 846)

PHOTO CREDITS: **Chapter 1:** p. 8, FORTUNE is a registered trademark of Time Inc. All rights reserved. p. 10, Louie Psihoyos/Matrix; p. 14, Katherine Lambert; p. 18, Gannett; p. 25, Mike Clemmer/Picture Group. **Chapter 2:** p. 37, Barth Falkenberg; p. 44, Frederick W. Taylor Collection, S. C. Williams Library, Stevens Institute of Technology; p. 50, Quaker State Corporation; p. 51, courtesy of AT&T Archives; p. 59, courtesy of Harris Corporation; p. 65, Nina Barnett. **Chapter 3:** p. 81, T. Michael Keza/Nation's Business; p. 88, courtesy of International Business Machines Corporation; p. 92, Chevron Corporation; p. 96, Tim Kelly/Black Star; p. 99, National Steel Corporation; p. 102, Paul Tepley. **Chapter 4:** p. 126, Mason Morfit; p. 133, Bob Bamier/Taylor Corporation; p. 143, David R. Henderson; p. 149, Jonathan Miller. **Chapter 5:** p. 163, Chuck Nacke/Picture Group; p. 167, Terry O'Neill/Sygma; p. 173, Rob Kinmonth; p. 175, Dennis Cox. **Chapter 6:** p. 194, © The Walt Disney Company; p. 197, Henry Groskinsky; p. 199, Alan D. Levenson; p. 207, Andrew Eccles; p. 211, © Neil Selkirk. **Chapter 7:** p. 229, Louie Psihoyos/Matrix; p. 232, Dunkin' Donuts Incorporated, Randolph, MA; p. 240, USAir Group; p. 244, Jules Allen.
(continued on page 846)

Copyright © 1990 by Houghton Mifflin Company. All rights reserved.

No part of this work may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying and recording, or by any information storage or retrieval system without the prior written permission of Houghton Mifflin Company unless such copying is expressly permitted by federal copyright law. Address inquiries to College Permissions, Houghton Mifflin Company, One Beacon Street, Boston, MA 02108.

Printed in the U.S.A.

Library of Congress Catalog Card Number: 89-080938

ISBN: 0-395-43333-9

BCDEFGHIJ-VH-9543210

PREFACE

The first edition of *Management* was published in 1984. Since that time, almost a quarter of a million students have used the first or second edition to learn basic management skills, concepts, and practices. Hundreds of colleges and universities around the world continue to use the book. The easy thing to do, then, would have been to prepare a light revision and continue with a “proven” approach to teaching introductory management.

But the world has changed since 1984. The people of the world have created a veritable global village where products, services, people, technology, information, and money flow almost at will across national boundaries that once locked them out. Other changes have centered on controversies of ownership, ethics and social responsibility, employee rights and privileges, technological innovation, and numerous other forces. No manager today can afford to ignore the increased complexity brought about by these changes. During the 1980s, many American firms went through the process of remaking themselves—in partial response to these forces and in partial response to the recognition that they had grown too sluggish. Such firms have emerged as leaner, more efficient, and more responsive companies.

In similar fashion, Houghton Mifflin and I decided to remake this book. We wanted to make it better than it had been in the past and to set new standards of excellence for management textbooks. We left no stone unturned and defined nothing as sacred in our quest for improvement. The challenges were easy to identify: there is so much to management that one could fill several books on the subject; the business world changes so rapidly that what was true yesterday may not be true today; and fitting all the pieces together in an integrated and coherent fashion is more complicated than assembling any jigsaw puzzle.

How did we address the challenges? By carefully analyzing the importance and contribution of every page, paragraph, and sentence, we achieved an effective balance of breadth and depth to provide the introductory student with a general overview of management. We solved the timing problem by using up-to-the-minute examples and references throughout the book. Indeed, most of the examples and citations are taken from the late 1980s, and some were added even as the text went to press. The organizational challenge was addressed by adopting a quasi-modular format. Although written to tell an integrated story, the

text retains sufficient flexibility to allow some personalization by the instructor who wants to cover topics in a different sequence.

ORGANIZATION OF THE BOOK

Topical Coverage

Management is organized around the traditional management functions of planning, organizing, leading, and controlling. This framework is generally accepted as the most effective way to describe the management process. Part 1 introduces readers to the basic context in which managers work. The next four parts provide in-depth treatments of each of the four basic functions. Finally, Part 6 describes special challenges of management.

Changes in the Third Edition

The third edition of *Management* is a significant revision of the earlier work. Indeed, there are so many changes that I will only note the most significant ones here. In Part 1, I now cover organizational effectiveness in concert with organizational environments in Chapter 3. Part 2 has been totally revamped by moving the discussion of decision making to Chapter 4. Goals and planning are now discussed in Chapter 5, strategic planning in Chapter 6, and tactical and operational planning in Chapter 7.

In Part 3, components of organization structure have been condensed into a single chapter—Chapter 8. Chapter 9 covers organization design and culture. Staffing, previously covered at the end of the book, has been moved to Chapter 10. Chapter 11 concludes Part 3 with coverage of organization change and related topics.

Part 4 received the least revision and continues to include four chapters devoted to motivation, leadership, groups, and communication. Part 5, in contrast, was substantially revised. Chapter 16 introduces the reader to organizational control. Chapter 17 covers operations management, productivity, and quality. Information systems are covered in Chapter 18. Chapter 19 describes several important control techniques. Part 6 concludes the book by highlighting entrepreneurship and small-business management (Chapter 20), international management (Chapter 21), and ethics and social responsibility (Chapter 22).

Chapters 18 and 22 are completely new. Chapters 8, 14, 17, 20, and 21 have been completely revised. Chapters 3, 4, 5, 6, 7, 9, and 11 received significant revision. The remaining chapters retain their basic outlines from previous editions but have been updated and refined. In addition, all the cases in the third edition are new. The first case at the end of each chapter focuses on a problem or challenge faced by an American organization. The second case at the end of each chapter deals either with a foreign company or with an American company doing

business in another country. Each chapter also includes two interesting boxed inserts. “Management in Practice” provides an extended example to amplify a point from the text, and “The Global View” does the same from an international perspective.

In addition, every piece of line art and each table were carefully scrutinized during the revision. Some were retained; some were modified; and many new illustrations were developed. Careful and selective use of photographs also helps bring the material to life. An Integrative Case was added at the end of each part. So, too, were the Enhancement Modules.

Enhancement Modules

One of the most innovative features of the third edition of *Management* is the inclusion of ten Enhancement Modules. These modules enhance the other material by providing focused coverage of special areas of interest such as participative management, stress, and automation. They are distributed throughout the text at the end of each part. However, each was written to stand alone. Thus, an instructor may use them at different points in the text, save them until the end, or not cover them at all.

FEATURES OF THE BOOK

Basic Themes

As in any book, several themes pervade *Management*. One, as noted already, is the international character of the field of management. Examples and cases throughout the book underscore this dimension. Another theme is the need to balance theory and practice. Managers need to have a sound basis for their decisions, but theories that provide that basis must be grounded in reality. Thus, throughout the book I explain the theoretical frameworks that guide managerial activities, and then I provide illustrations and examples of how and when those theories do and do not work. A third theme is that management is a generic activity not necessarily confined to large businesses. Thus, I use examples and discuss management in both small and large businesses as well as in not-for-profit organizations.

Pedagogy

The ultimate purpose of any textbook is to provide students with a resource for learning. The third edition of *Management* was prepared with the student in mind. Each chapter opens with a statement of the learning objectives that the chapter will help students achieve and an outline of the major topics to be covered. Next comes an opening

incident—an extended example that sets the tone and draws readers into the material. Each chapter is organized around five to seven major headings, one related to each of the learning objectives. Marginal notes throughout each chapter highlight key terms and definitions. Those that relate to the learning objectives are highlighted with a colored bullet.

The tables and figures were carefully constructed to amplify major points in the text, as were the two boxed features in each chapter. The photographs were chosen to bring the material to life, and I wrote extended captions for each to explain what it illustrates. At the end of the chapter are a summary and a set of three types of discussion questions. The review questions ask students to recall specific information. The analysis questions ask students to integrate and synthesize material. The application questions ask students to take textual material into the real world and use it. The cases also provide additional amplification and application of the material in the text.

Applications

To fully appreciate the role and scope of management in contemporary society, it is important to see examples and illustrations of how concepts apply in the real world. The opening incident, cases, boxed inserts, and photographs all offer applications. In addition to these, I have incorporated literally hundreds of examples directly into the text. Some of them are quite brief; others are detailed. Regardless of length, however, each was used for a purpose—to show how a concept or idea from the text was learned by or used in a real organization.

SUPPLEMENTAL MATERIALS

In addition to this textbook, there are several ancillary items that may be used to promote learning. The *Study Guide*, prepared by Joe G. Thomas, includes a pretest, a list of learning objectives, a posttest, a list of key terms, a completion summary for each chapter, and other learning tools. *Readings in Management*, developed by David Rubinstein, provides other perspectives and views of the field of management. The *Cases in Management*, prepared by Kenneth Thompson and Nick Mathys, may be used for courses with a heavy case orientation. The *Experiential Exercise Book*, developed by Gene Burton, can be used to promote learning through a series of experiential exercises. *Manager: A Simulation* is a computer simulation that gives students practice in managing a business and competing against other businesses.

ACKNOWLEDGMENTS

As any author can attest, far more people are involved in the creation of a book than the person whose name appears on the cover. This book is certainly no exception. I owe an enormous debt to many different people for helping me create this work.

In the early stages of my career, I had the good fortune to work with Skip Szilagyi, Jack Ivancevich, Bob Keller, Art Jago, Mike Matteson, Sara Freedman, Dick Montanari, Ron Ebert, Everett Adam, Jim Patterson, Allen Slusher, Bob Monroe, and Don White. Each has made significant contributions to my intellectual development.

I now have the privilege of working in the wonderful academic climate that exists at Texas A&M University. The rich and varied culture there makes it a pleasure to go to the office every day. Colleagues like Bob Albanese, Dick Daft, Don Hellriegel, Mike Pustay, Mike Hitt, Jay Barney, Bob Hoskisson, and Gareth Jones are invaluable.

Dick Woodman, Stuart Youngblood, David Van Fleet, and Greg Moorhead also deserve special acknowledgment. Each has helped me become a better scholar, but more importantly, each has also helped me become a better human being. Thanks, guys—I appreciate it more than you can know.

An outstanding team of professionals deserves special note for making significant contributions to what I believe is the best package of ancillary materials ever assembled. Tom Keon, Stan Elsea, Fred Williams, David Rubinstein, Joe Thomas, Kenneth Thompson, Nick Mathys, and Gene Burton all accepted my invitation to join the team and accepted my standards for producing the best support materials that could possibly be prepared for students and instructors.

Many reviewers have played a critical role in the evolution of this project. They were asked to take an especially critical and detailed view of everything I did. Acknowledging that any errors of omission, interpretation, or emphasis are my responsibility, I would like to tip my hat to the following reviewers, whose imprint can be found throughout this text:

Ramon J. Aldag
University of Wisconsin
Dr. Raymond E. Alie
Western Michigan University

Jay B. Barney
Texas A&M University
John D. Bigelow
Boise State University

- Allen Bluedorn
University of Missouri
- Gunther S. Boroschek
*University of Massachusetts—Harbor
Campus*
- George R. Carnahan
Northern Michigan University
- Thomas G. Christoph
Clemson University
- Lou Cisneros
Austin Community College
- Charles W. Cole
University of Oregon
- Gregory G. Dess
University of Texas—Arlington
- Gary N. Dicer
University of Tennessee
- Thomas J. Dougherty
University of Missouri
- John Drexler, Jr.
Oregon State University
- Stan Elsea
Kansas State University
- Douglas A. Elvers
University of South Carolina
- Ari Ginsberg
*New York University,
Graduate School of Business*
- Carl Gooding
Georgia Southern College
- George J. Gore
University of Cincinnati
- Stanley D. Guzell, Jr.
Youngstown State University
- Mark A. Hammer
Washington State University
- Paul Harmon
University of Utah
- J. G. Hunt
Texas Tech University
- John H. Jackson
University of Wyoming
- Neil W. Jacobs
University of Denver
- Arthur G. Jago
University of Houston
- Gopol Joshi
Central Missouri State University
- Norman F. Kallaus
University of Iowa
- Ben L. Kedia
Memphis State University
- Thomas L. Keon
University of Missouri
- William R. LaFollete
Ball State University
- Dale A. Level, Jr.
University of Arkansas
- Myrna P. Mandell, Ph.D.
*California State University,
Northridge*
- Barbara J. Marting
University of Southern Indiana
- Wayne A. Meinhart
Oklahoma State University
- Linda L. Neider, Ph.D.
University of Miami
- Mary Lippitt Nichols
University of Minnesota
- Winston Oberg
Michigan State University
- E. Leroy Plumlee
Western Washington University
- Paul Preston
University of Texas—San Antonio
- John M. Purcell
*State University of New York—
Farmingdale*
- James C. Quick
University of Texas—Arlington
- Ralph Roberts
University of West Florida
- Nick Sarantakas
Austin Community College
- Gene Schneider
Austin Community College
- H. Schollhammer
University of California—Los Angeles

Nicholas Siropolis
Cuyahoga Community College

Michael J. Stahl
Clemson University

Charlotte D. Sutton
Auburn University

Robert L. Taylor
University of Louisville

Mary Thibodeaux
North Texas State University

Robert D. Van Auken
University of Oklahoma

J. Malcolm Walker
San Jose State University

Fred Williams
North Texas State University

Carl P. Zeithaml
University of North Carolina

I would also like to make a few personal acknowledgments. The fine work of Andrew Lloyd Webber, Michael Crawford, John Cougar Mellencamp, Jim Morrison, John Fogerty, Elton John, Phil Collins, Johnny Rivers, and the Nylons helped me make it through many late evenings and early mornings of work on the manuscript that became the book you hold in your hands. And Stephen King, Anne Rice, Clive Barker, Len Deighton, Peter Straub, and Carl Barks provided me with a respite from my writings with their own.

Finally, there is the most important acknowledgment of all—my feelings for and gratitude to my family. My wife, Glenda, and our children, Dustin and Ashley, are the foundation of my professional and personal life. They help me keep work and play in perspective and give meaning to everything I do. It is with all my love that I dedicate this book to them.



CONTENTS

Preface	xxi
Acknowledgments	xxv

PART I	AN INTRODUCTION TO MANAGEMENT	1
---------------	--------------------------------------	----------

1

Managing and the Manager's Job	2
Management and Managers Defined	5
The Management Process	8
Planning and Decision Making: Determining Courses of Action	
Organizing: Coordinating Activities and Resources	
Leading: Motivating and Managing Employees	
Controlling: Monitoring and Evaluating Activities	
Kinds of Managers	12
Levels of Management	
Areas of Management	
Critical Roles and Skills	15
Managerial Roles	
Managerial Skills	
Acquiring Management Skills	21
The Role of Education	
The Role of Experience	
The Scope of Management	24
Management in Profit-seeking Organizations	
Management in Not-for-Profit Organizations	
Case 1.1 Management Promotes Efficiency and Effectiveness at Marriot	30
Case 1.2 Sotheby's: Bringing Management Techniques to the Art World	32

2

The Evolution of Management Thought	34
Why Study History and Theory?	36
Why Theory?	
Why History?	
The Historical Context of Management	38
Understanding Social Forces	
Understanding Economic Forces	
Understanding Political Forces	
Precursors to Management Theory	40
Management in Antiquity	
Early Management Pioneers	
The Classical Management Perspective	43
Scientific Management	
Classical Organization Theory	
Contributions and Limitations of the Classical Management Perspective	
The Behavioral Management Perspective	48
The Hawthorne Studies	
The Human Relations Movement	
Organizational Behavior	
Contributions and Limitations of the Behavioral Management Perspective	
The Quantitative Management Perspective	54
Management Science	
Operations Management	
Contributions and Limitations of the Quantitative Management Perspective	
Integrating the Major Perspectives	56
The Systems Approach	
The Contingency Approach	
An Integrating Framework	
Contemporary Management Perspectives	63
The Global Imperative	
The Concern for Excellence	
The Concerns for Quality and Productivity	
Case 2.1 UPS Uses Technology in Management	72
Case 2.2 Lloyd's Managerial Evolution	74
Organizational Environments and Effectiveness	76
The Nature of Organizational Environments	79
The General Environment	80
The Economic Dimension	

3

The Technological Dimension	
The Sociocultural Dimension	
The Political-Legal Dimension	
The International Dimension	
The Task Environment	85
Competitors	
Customers	
Suppliers	
Regulators	
Labor	
Owners	
Partners	
The Internal Environment	92
The Board of Directors	
Employees	
Organization-Environment Relationships	93
How Environments Affect Organizations	
How Organizations Respond to Their Environments	
Organizational Effectiveness	101
Models of Effectiveness	
Managerial Performance	
Case 3.1 American Express Manages Its Environment	108
Case 3.2 Environmental Balancing Acts at Guinness	110
ENHANCEMENT MODULE 1 Managerial Career	112
Integrative Case The Martian Empire	118

PART II

DECISION MAKING AND PLANNING 120

4

Managerial Decision Making 122

The Nature of Decision Making 124

- Decision Making Defined
- Types of Decisions
- Decision-making Conditions

Models of the Decision-Making Process 128

- The Classical Model
- The Administrative Model

Steps in Rational Decision Making 131

- Recognizing and Defining the Decision Situation
- Identifying Alternatives
- Evaluating Alternatives
- Selecting an Alternative


Implementing the Chosen Alternative Following Up and Evaluating the Results	
The Behavioral Nature of Decision Making	137
Political Forces in Decision Making	
Intuition and Escalation of Commitment	
Group Decision Making	140
Forms of Group Decision Making	
Advantages of Group Decision Making	
Disadvantages of Group Decision Making	
Managing Group Decision-making Processes	
Quantitative Tools for Decision Making	144
Payoff Matrices	
Decision Trees	
Other Techniques	
Case 4.1 Kellogg: Champion of Breakfast Cereals	154
Case 4.2 Critical Decisions at Porsche	156

5

Organizational Goals and Planning	158
The Planning Process	161
The Nature of Organizational Goals	162
Purposes of Goals	
Kinds of Goals	
Responsibilities for Setting Goals	
Managing the Goal-Setting Process	167
Managing Multiple Goals	
Barriers to Effective Goal Setting	
Making Goal Setting Effective	
Goals and Organizational Planning	174
Kinds of Organizational Plans	
Time Frames for Planning	
Responsibilities for Planning	
Case 5.1 Borden's Plan for Growth	186
Case 5.2 Fiat Plans for the Long Haul	188

6

Strategy and Strategic Planning	190
The Nature of Strategic Management	192
The Components of Strategy	
The Levels of Strategy	
Strategy Formulation and Implementation	
Strategy Formulation	196

Strategic Goals	
Environmental Analysis	
Organizational Analysis	
Matching Organizations and Environments	
Corporate-Level Strategy	199
Grand Strategy	
The Business Portfolio	
Business-Level Strategy	204
The Adaptation Model	
Porter's Competitive Strategies	
Product Life Cycles	
Functional Strategies	208
Marketing Strategy	
Financial Strategy	
Production Strategy	
Human Resources Strategy	
Research and Development Strategy	
Strategy Implementation	212
Structure	
Leadership	
Information and Control Systems	
Human Resources	
Technology	
Case 6.1 Alcoa: In or Out of Aluminum?	220
Case 6.2 Nissan Motor Company's Strategic Maneuver	222
 Tactical and Operational Planning	224
The Nature of Tactical and Operational Planning	227
Tactical Planning	228
Developing Tactical Plans	
Implementing Tactical Plans	
Operational Planning	230
Single-Use Plans	
Standing Plans	
Contingency Planning	234
Managing the Planning Process	236
Barriers to Effective Planning	
Overcoming the Barriers	
Using MBO to Implement Plans	241
The Nature and Purpose of MBO	
The MBO Process	
The Effectiveness of MBO	

<i>Case 7.1</i>	Campbell's Plans for Soups and More	250
<i>Case 7.2</i>	France's Thomson Plans Big	252
ENHANCEMENT MODULE 2	Planning Tools	254
ENHANCEMENT MODULE 3	Computers and the Manager	264
<i>Integrative Case</i>	Pepsi Aims to Top Pop Market	268

PART III

THE ORGANIZING PROCESS

270

8

Components of Organizational Structure

272

Building Blocks of Organizations

274

Designing Jobs

275

Job Specialization

Benefits and Limitations of Specialization

Alternatives to Specialization

Grouping Jobs

280

Rationale for Departmentalization

Common Bases for Departmentalization

Establishing Reporting Relationships

284

The Chain of Command

Narrow Versus Wide Spans

Tall Versus Flat Organizations

Determining the Appropriate Span

Distributing Authority

289

The Delegation Process

Decentralization and Centralization

Coordinating Activities

293

The Need for Coordination

Structural Coordination Techniques

Differentiating Between Positions

296

Differences Between Line and Staff

Administrative Intensity

Case 8.1 Apple Slices

302

Case 8.2. IBM in Europe

304

9

Organization Design and Culture

306

The Nature of Organization Design

309